

13.2.2013

Contribution to UACES workshop, Beijing 4-5 March 2013

Draft version - Do not cite!

The role of (new) leadership in EU-China relations

Uwe Wissenbach, Senior Research Associate, Renmin University and First Counsellor and Deputy Head of Mission of the EU Delegation to Korea (author writes in his private capacity)

Abstract

I argue that China's leadership changes do not fundamentally affect the EU-China relationship. More structural factors and imbalances are at work. On both sides there is a collective leadership bound by continuity and constraints. Strategic advances have been made in the past on either side at junctures in the leadership and in the EU case at junctures of institutional change (Maastricht, Lisbon Treaties): After the creation of the HR/VP, the EEAS and the EU President replacing rotating Presidencies the focus of the EU's China policy has been moving beyond economic to political and strategic initiatives. More leadership can be expected at EU level (while problem of MS coordination will remain).

The new Chinese leadership will inscribe itself into foreign policy continuity in the next few years – Xi and Li have already been part of the previous leadership generation. Their likely pragmatic focus on economic issues in the relationship is in line with pressing need for domestic reform. Externally, leadership attention will remain on US and situation in Asia where the EU will remain unlikely to be seen as a key player.

Managing issues and the political and bureaucratic processes has been the mainstay of the EU-China relationship, making it rather consistent and predictable.

Introduction: China – changing the guard but not the policy?

Never before have there been so many media reports and commentaries about changes in China's leadership than ahead of the 18th CCP Congress in October 2012. The much hyped Congress turned out to be a media non-event (and it seems to have been a non-event for the large majority of Chinese citizens) – the outcome was entirely predictable and predicted, and newsreaders almost embarrassingly had to repeat daily more or less the same things they had been saying for weeks. Reporting was ripe with speculation akin to yesteryear's Kremlin astrology. With morbid fascination for the opacity of China's political ritual, experts tried to infer all sorts of likely policy preferences of Xi Jinping from a thin CV or family background. Who the new leader(s) would be was known beforehand but they were not better known after all that ink had been spilt. Analysts sorted personalities into 'factions' with dramatic names (from princelings or neo-Maoists to Neo-Comms) suggesting there was a struggle on future policy. The hype continues with any event in China now looked at to second-guess intended policy changes and reform plans. Some are already speculating who will succeed Xi in 10 years...

By treating the leadership change in the same way as the coinciding US Presidential elections, Western media have missed key points: Despite all the debates in Chinese academia, think tanks, the media even or in cyberspace, a CCP leadership change is not a Presidential election, does not mark in itself a decisive crossroads, candidates don't campaign on agendas for bold change, reforms are always gradual and implemented mostly quietly through experiments or reactively as issues emerge. They may turn out to be radical or fundamental, but they are rarely spectacular or trumpeted to the international media.

Moreover, the two top leaders Xi Jinping and Li Keqiang had already been in high positions before the Congress, the Five Year Plan they endorsed still has three years to run, China's policy direction has not fundamentally changed. So what was all the fuss about? The lack of drama of the Congress itself does not mean that there is no internal debate on the policy directions or that the new leadership generation does not have or will not develop its own game plan for reforms. In fact some of the subtle changes in the Party Constitution and the Report to the Congress may yet unfold quite profound reforms, but only time will tell and the already ongoing Chinese domestic debate will continue energetically (Godement 2012).

The last Chinese leadership change in 2002, while less hyped, also proceeded gradually, but changed the policy priorities and steered the reform process in a quite different direction from their predecessors. Some liberal reformers have been disappointed with the 'lost decade' for reform, but others contend that China's rural areas have seen a strong increase in prosperity and that overall China's wealth and power have dramatically increased. Godement (2012) even speaks of a 'success trap'. Similarly, over the next ten years it is likely that China's policy will change once more and maybe quite fundamentally to address the missed opportunities of this lost decade. The leadership will have to tackle the challenges resulting from developments that have created inequalities, tensions between interest groups and brought about all sorts of policy challenges which are increasingly debated in the new internet public sphere – itself a completely new environment for the Chinese leadership which had been used to determining public opinion itself. The conflicting pressures for change are in any case obvious. Leadership communication with the new public sphere will increase and like in other societies, words and deeds will have to be analysed carefully.

Change in China – what could it mean for the EU?

Of course none of these likely changes can be predicted with certainty nor will they be entirely controlled or determined by the personalities at the top. What is clear is that there have been already for a few years a large number of controversial debates about the future of China's reforms and Chinese outside the party centre want to have a say on their future. China at the next leadership juncture will be a very different partner for the EU.

Already today, a number of new issues have emerged – not least accentuated in the 18th CCP Congress - which the two sides have begun to address: urbanization, informatisation and an upgrade of industrial development, a move into higher levels of the value chain which is changing the balance between complementarity and competition in EU-China economic relations and also

beginning to affect China's ODI into Europe and elsewhere. But what if Chinese public opinion becomes critical of foreign investors who outsource environmental problems to Chinese? A Bhopal-type incident in China would certainly entail a different scale of backlash against foreigners than it had in India. What if Chinese companies want to take over European industries and are rebuffed on grounds of national security or misgivings about corporate governance? China can now afford to retaliate. What if China were to take more robust measures towards Tibet for instance if there was a revolt following the Dalai Lama's passing? What if China were to enter into armed conflicts with the EU strategic partner Japan? The EU would be exposed as a paper tiger or would have to make costly changes to its China policy. In such cases the current line of the Chinese government (as articulated in the 2003 policy paper on the EU) that there are no fundamental conflicts of interest between China and the EU may be affected as much as the EU's benign policy on China's rise. There is no need to over-dramatise these extreme scenarios or to expect such incidents to happen, but the EU-China relationship can no longer be expected to run smoothly on government to government auto-pilot and on the basis of policy papers.

The EU has not changed its basic strategy which still rests on the belief that China through its reforms will become more liberal, more democratic and internationally more involved in multilateralism and the provision of public goods. This may eventually be the case, but just as the Chinese foreign policy community is discussing new options for foreign policy that are more suitable to its current position in the world than the famous adage coined by Deng Xiao Ping of lying low and hiding capabilities, Europe needs to be prepared that China's reform course may not deliver a China in Europe's image, while continuing in a smart and when necessary discreet way the support for reforms so that China eventually becomes a constructive global citizen. The strategic dialogues have been key innovations with potential to do that. This calls less for a fundamental shift in approach, but a more pragmatic management of expectations and strategic objectives, rather than dreaming China's dream in Europe.

China's foreign policy and the EU

China's leadership faces a long list of challenges, issues and opportunities as a consequence of 30 years of opening up and reforms. Moreover events of all kinds pop up by the dozen on an almost daily basis and even the most trivial get reported globally. An old German proverb to say 'who cares?' runs 'this is as important as a bag of rice falling from a shelf in China'. Nowadays, the toppled bags of rice in China are reported in the media all over the world from traffic accidents and provincial sex scandals to protests in remote villages. But leaders do not deal with everything personally, there is a thick bureaucracy and a number of vested interests that filters the issues. They won't care much about bags of potatoes falling from shelves in Brussels.

Foreign policy is unlikely to be high on their agenda or a defining mark of their period in office. The leadership is likely to discuss at some stage fundamental directions to deal with the US, Japan, the vexed North Korea problem, South East Asia, the global economy, energy security and the like. They will at some stage discuss how to solve the contradictions in its visions of a place in international society and its peaceful rise (Buzan 2010). They will do so on the basis of party and government briefings, anonymised expert papers and of course their own convictions and

experiences with foreign leaders. They are unlikely to read academic papers whether written in China or abroad or discuss their ideas in ‘townhall meetings’ or personal blogs. Afterwards the party and government apparatus will be busy implementing the resulting unpublished guidelines, perhaps coming up with a new slogan.

The EU is unlikely to feature in high-level foreign policy discussions, apart for the financial crisis and economic strategy (because of the export orientation of China’s growth). Relations with the EU tend to be coordinated at government level by the Prime Minister and his Deputy and of course the MOFCOM and MOFA with input from other relevant Ministries or agencies.

Strategic advances have been made in the past on either side at junctures in the leadership most notably in 2003, when the then new Chinese leaders developed their somewhat more visible international policy (China’s peaceful rise or development, multipolarity, regional and global engagement). China for the first time issued a policy paper on its relations with a foreign partner and chose the EU for this premiere. China’s EU policy paper is not simply a ‘honorary distinction’ for the EU – it made clear offensive demands like lifting the arms embargo and obtaining market economy status and spelt out clear conditionality on Taiwan, Tibet and value promotion. China had also started to take the EU more seriously after it had shown remarkable unity and sense of purpose in its relations with China and especially in the negotiations on China’s WTO accession conducted by the European Commission on behalf of the Union, with Member States granting it great flexibility and enormous confidence (Zimmermann 2012:96-7). The EU, in a now rare show of strength and unity, held out for a more advantageous deal than the Chinese had concluded with the Americans. However, this initiative seems to have been due to a shift in the analysis of the strategic context – balancing US unipolarity and a re-assessment of regional and foreign policy after the Asian Financial Crisis.

Around this time the leadership became aware of China’s increasing global weight, the need to find a role and to respond to US ‘realist’ concerns about power transition with analogies made to Germany’s rise at the end of the 19th century (with all the implicit threats linked to that story leading to two world wars). Europe has been much more sanguine about this issue. From its liberal-institutionalist perspective Europe wanted to harness China’s rise to promote multilateral solutions to global problems but found China wanting. From a Chinese – rather constructivist-ideational - perspective, however, China’s rise just happened as a result of its domestic development and its size and contributes to regaining China’s ‘rightful place’ as a big power (that it had been for centuries). The issue has not been framed as a challenge to the US, but to overcome a century of humiliation and relegation to developing country status. After all, the leadership was anxious not to repeat the mistakes of 19th century Germany. They had carefully studied the rise and fall of the great powers and widely disseminated the insights on TV. While only time will tell how this story of China’s rise turns out, China’s general focus on domestic priorities also affects its worldview and with it its EU policy.

The EU – changing the structures but not yet the policy

Nevertheless, leadership changes as such do not fundamentally affect the nature of the EU-China

relationship. More structural factors and imbalances are at work. Conversely on the EU side, it can be argued that changes of Commission Presidents and individual state leaders in key Member States do not fundamentally impact the relationship with China. The diversity of the EU may make it sometimes slow or difficult to navigate, but sudden political swings are not so likely as in the multitude leader changes and elections cancel each other out. The EU is thus more stable and predictable (and the consistency of its policy papers from 1995-2006 corroborates that). Of course there are exceptions like the Chirac-Schröder proposal to lift the arms embargo (Narramore 2008). Thus, more importantly it is structural-constitutional changes which make a real difference on the EU side. The Maastricht Treaty, the Eastern enlargement and more importantly the Lisbon Treaty have been instances of such junctures of institutional change. The institutional leadership change in the EU system through the Lisbon Treaty marked a clear break: the HR/VP, EEAS and the permanent President of the European Council have replaced rotating Presidencies with changing priorities. This allows re-focusing beyond economic to political and strategic initiatives and to sustain them. Thus more leadership can be expected at EU level (while the structural problem of MS coordination will remain). So far, the fundamental issues and messages have remained fairly consistent since the first EU policy paper on China was issued in 1995.

Why there is a problem of leadership (and why leadership is not the problem)

In fact, on both sides there is a collective leadership bound by continuity and constraints arising from divergent domestic and international interests. In the EU the real foreign policy decisions are taken in national capitals not in the European Commission or the European External Action Service. It is individual member states voting in international organizations like the UN or the IMF, which is important for China. In China the party, not the foreign or trade ministries makes foreign policy. The structures are often inadequate as the last few years have shown as contradictory statements and actions made partners wonder who or whether anyone was in charge. The problem of collective leadership on the European side is compounded by the fact that capitals have different preferences and that these are mostly quite obvious to see for outsiders. China has been somewhat better at keeping a veil over its internal debates and differences, but it is by no means a monolithic actor. As the agency structures are not always clear, many positions, once taken in the Chinese system of 'democratic centralism' and presented for negotiation to the outside, are difficult to adapt. Conversely, for the Chinese side, the EU is not perceived as having the capability to stick to its end of the bargain or to pursue joint actions because of internal divisions and the weak authority of the EU structures themselves. The well-known story of the attempted lifting of the arms embargo is a case in point (Shambaugh 2004, Narramore 2008). This situation can be an opportunity for China to 'divide and rule', but it is also a source of frustration for Chinese policy makers. As 10 years of efforts by PM Wen have not paid off, there is little incentive for his successor to renew efforts on the arms embargo and market economy status.

The new Chinese leadership will certainly start by inscribing itself into foreign policy continuity in the next few years. However, many changes challenge the current foreign policy prescriptions: a less stable and benign regional and global environment, fewer partners that are willing to accommodate China's rise on China's terms, more demands on China (including in the developing world), the challenges arising from China's increased presence in many crisis-prone countries, the

need for resources and markets for China's growth, the internal contradictions from contending interest groups, the increasingly vocal often hyper-nationalist netizens and more generally a more and more open and diverse civil society, academic debate and public sphere. Leaders will have to focus on the most pressing issues and on 'low hanging fruit' to earn respect. Policy will remain event-driven and reactive and stay clear of grand strategy and schemes. At some point they will adapt current strategy and come up with their own version of a slogan that will likely be a compromise between the (so far very successful) lying low pragmatism and a greater assertiveness on core interests balanced by a less hot-tempered diplomacy as that seen in recent years.

China's focus on economic issues in the relationship with the EU will be a function of the continued need to foster economic growth and to pursue domestic reform. Strategic leadership attention will remain on the US and the situation in Asia, not least as these tend to stir emotions of citizens. In light of the US pivot to Asia and US-EU statements on closer cooperation in Asia, it is unlikely that the new Chinese leaders will waste their energy on pushing the EU to counterbalance US hegemony, except in the monetary and economic fields (Casarini 2012).

Apart from collective leadership and domestic constraints, the key question for both China and Europe is their respective place in and vision for international society. From there they can identify the common ground and the areas they differ about. China struggles to accommodate an international society dominated by democratic and liberal norms. Being accepted as a peaceful and responsible member is a difficult balancing act for a one-party state. Recent tensions in Asia in which China has played a quite assertive role and the continued strains with Japan make this task particularly challenging (Buzan 2010). Although the most recent bout of conflict was clearly provoked by Japanese nationalists and a clumsy government in Tokyo, China's ill-advised overreaction has not helped to enhance trust in its message of peaceful development and a harmonious world, slogans which are therefore likely to be forged into a new slogan in due course.

For Europe after the financial crisis the stakes are the pace and direction of its integration process, the balance between common policies through the EU framework and populist reflexes. Its multilateral identity is facing an internationally adverse environment dominated by power politics of great and emerging powers (as evidenced from UNFCCC negotiations, the decline of the WTO etc.) and a structural weakness of EU non-representation in most IOs. Many EU policies on global governance are now advocated from a weakened minority position. The EU-China relationship is troubled by this and 'new' leaders have to mind many gaps (Casarini 2012).

The still ongoing leadership transition in China as such will thus likely have a limited impact on EU-China relations and continuity can be expected. A bigger impact will result from deeper developments of the economy, reform and social change on both sides, but particularly in China – like in the past. This includes a new Five-Year Plan from 2015 and the strategic objectives for the 'post-Xiao Kang society', the ultimate modernization objective set by Deng Xiao Ping. But what does continuity mean in the EU-China relationship? Where do EU-China relations stand?

Where do we stand?

On the EU side the relationship has since 1995 been anchored in a series of policy papers authored by the Commission and endorsed through Council conclusions. The last in a series dates from 2006 (but in 2008 a Communication on relations with China and Africa was issued that can be regarded as a strategic offer of pragmatic multilateral cooperation).

Political and bureaucratic routine and institutionalization of various dialogues and committees have helped underpin the relationship. Annual summits at leader level¹ have been held since 1998 and served as stock-taking exercises and impulse givers. A greater perception of shared responsibility for economic affairs beyond the bilateral relations through the G20 summit process has enhanced understanding and coordination between the EU and China in a global context.

Since the transformation of the EU by the Lisbon treaty and the financial crisis, the EU-China relationship has significantly evolved, but remains largely within the thematic bounds already outlined in the policy papers of the 1990s. The EU-China partnership had traditionally been structured along two planks: trade and economic cooperation on the one hand and political-strategic cooperation on the other. The economic plank has always been far thicker than the political one. The High Level Economic and Trade Dialogue at Vice-PM level was established in 2008, the High Level Strategic Dialogue between State Councillor Dai Bingguo and the HR/VP in 2010. More recently (2012) a third plank, underpinning the two others has been formally added: people to people exchanges. However, China had for a long time been fostering such exchanges not least to gather information and experiences relevant for its domestic reform. This 'one way street' has finally been acknowledged as a two way exchange².

However, due to the economic and financial crisis, the European economic and social model – and with it its political model with democracy – has lost appeal and attracted criticism, while the government has realized the need to support international efforts to tackle the crisis in Europe (Casarini 2012). China may feel even more having to rely on its own distinct development path. Nevertheless, a number of new areas for cooperation have been identified by both sides such as urbanization, youth dialogue... Europe remains an interesting 'laboratory' for governance experiments in China and a reliable partner for China's reforms more generally.

For each plank there are now institutionalized structures below the summit level starting with a High Level dialogue of Ministers in each realm and going down from there through an array of sector dialogues, committees and programmes. Interestingly, by comparison with many other EU partnerships with third countries, the legal framework for EU-China relations dates back to 1985 and is limited to trade and economic cooperation. Negotiations for the 'standard' Partnership and Cooperation Agreement have not yet been concluded. This does not prevent an ever denser and ever more comprehensive relationship to flourish guided by summits and high-level dialogues. What is sometimes missing is an overall sense of strategic purpose (Geeraerts 2011:65). Such a diagnosis, however, needs to be addressed up front together with a series of structural imbalances in the relationship.

¹ However, on China's side the counterpart is not the top leader (President and CCP SG) but 'only' the PM. The top leader deals with the US, Russia and Asian powers.

² Arguably, the first major initiative to bring Europeans to China was through the EU-China Junior Managers Training programme starting in 1999 and sending European managers for language and business training to China.

Structural imbalances in the EU-China relationship

There are some structural imbalances – or disconnects – that help explain the ups and downs, the opportunities and obstacles, hopes and disappointments in the EU-China relationship over time. These are little affected by leadership changes in China (or in Europe).

First, the bureaucratic structures: The legal basis is the Trade and Cooperation Agreement which created a Joint Committee to annually review cooperation and trade issues. Apart from some other agreements like on Science and Technology (2000) most other structures, including the summits, have been launched through consensus at a political level. The clearer distinction achieved now between the three planks and the associated bureaucratic structures is important. Different issues can be pursued with the 'right' counterparts and independently of the progress in the more comprehensive and formal PCA negotiations. There has been on both sides a certain competition on the dominance of the leadership within each administration: between MOFCOM and MOFA in China and between DG TRADE and RELEX and other sector-DGs in the European Commission³.

On each side the trade people usually had the upper hand as the hard substance of the relationship has mainly been about trade from the start. The dominance of trade bureaucracies also had structural reasons, as in the 1980s, when the EC-China relationship was launched, the European Commission had competence for trade negotiations, but no role in foreign policy (and no department for it) and the agreement with China was concluded with MOFCOM. Only with the Lisbon Treaty has a clear political foreign and security policy mandate and structure been established which is no longer subject to domination by Commission and rotating Presidencies. The HR/VP and EEAS have shown determination to use this mandate to make the EU-China relationship more strategic and less trade-centred. On the Chinese side the situation has been similar with MOFCOM being in the lead and MOFA – a weaker player in the Chinese ministerial pecking order – playing a marginal role on many substantive issues. MOFCOM also coordinates the cooperation programmes (i.e. aid money) even if these funds benefited projects under the political responsibility of other line ministries. This often produced bureaucratic infighting. A problem on the Chinese side, which is often not recognized by the EU, is that foreign policy is not *made* in the MOFA, merely applied and relayed to the outside world by it. The real decisions are made elsewhere and thus seeking policy impulses from Ministries has been a difficult exercise (particularly for drafters of summit statements).

Secondly, the imbalance in respective importance: China is – rightly or wrongly – seen as more important for the EU than the EU is for China. That may explain an 'imbalance of initiatives', in the sense that the EU has tabled more policy papers, initiated cooperation programmes and requested the PCA negotiations⁴. Of course, some may count this as quantitative evidence for

³ This inter-service rivalry became apparent when the Commission in 2006 de facto issued two policy papers, one drafted by RELEX, one by TRADE although the TRADE paper was finally annexed to the RELEX authored COM.

⁴ The number of policy papers can be explained by many factors, such as a) the need in a democratic society to justify engagement with a country which is often perceived by the public as a 'nasty' regime; b) the self-justification of the role of the EU structures; c) forging a minimum consensus among the diverse positions of Member States.

leadership. The EU's active role is also a consequence of the search by the EU for partners for multilateralism – by definition you can't do multilateralism by yourself, so the EU needs to initiate partnerships and structures, while China's independent foreign policy does not warrant such 'outreach' (Wissenbach 2007). China may also attach higher importance to some bilateral relationships with individual EU MS than with the EU as a whole especially when they share a specific common interest. Examples are competition between individual member states for lucrative commercial contracts in China, for attracting investment from China or diplomatic support for individual issues such as UNSC seats. This internal diversity hampers the EU's ability to become a global economic actor and to change the rules of the game although it is the biggest economy or biggest trader⁵.

Moreover, on both sides the respective other is not the number 1 foreign policy priority. For the EU Asia in general does not rank very high at least politically. There are few non-economic interests at stake or conflicts that threaten Europe's interests like those in the Middle East and North Africa, the Balkans or the Caucasus or areas where Europe feels a moral or historical responsibility to show the flag like in Sub-Saharan Africa. Similarly for China, the USA, the Asian neighbourhood and some important resource suppliers are a preoccupation for leaders, the EU is taken for granted, not seen as threatening and largely problem-free. The EU is simply not a big player that could make a difference in Asia where China's interests are focused. And where it is concerned (Korean Peninsula, South China Sea) the EU tends to side with the US. This is where one of the big disappointments on the Chinese side comes in – for some reason (the reaction in Europe on the Iraq war and especially French rhetoric on multipolarity and a more European Europe presumably – Shambaugh 2004) China's strategists had hoped the EU would become a counterweight to the US in a multipolar world. But Europe does not play the multi-polar card, it believes in multilateralism, although it also has difficulties recruiting players – and certainly China for the moment - for that game (Wissenbach 2008; Casarini 2012).

Thirdly, a key imbalance exists between domestic and international priorities on each side's general political agenda. China's overwhelming focus is on domestic issues and development. International issues are usually afterthoughts dealt with through the prism of catch-all principles (such as a fair and democratic world order, peaceful development, respect for sovereignty) or at best issues to be managed by the specialized agencies. When a powerful domestic body has formulated a policy it is not going to be changed because of objections by the MOFA or MOFCOM, and even less because of objections by foreigners (unless conveyed with costly signals which the US is better at sending than the EU). National interest comes first and is not something negotiable. Presumably a lot of foreign objections do not even enter the domestic debate because the MOFA filters it, has no access to the top, lacks analytical capability⁶ or has already formulated a defensive line.

The EU in comparison is a much more international animal – it seeks multilateral solutions and

⁵ Collectively the EU is, but only the EU itself aggregates these data, everywhere else people list individual EU countries in their trade and economic statistics.

⁶ Leaders typically ask a number of reputed experts or think tanks to provide them with analysis and proposals – which compete with each other and those of the Ministries. Decisions, however, are made in a black box, so the real influence of think-tanks is hard to gauge.

usually approaches others in a compromise mode looking not at maximizing its own interest, but at finding a win-win solution. This is possibly the 'integration DNA' as much as a post-nationalist mindset that takes into account international responsibility already in the interest formulation. EU positions (while not altruistic) are therefore structurally weak – witness the international climate negotiations and the Copenhagen summit in particular. This applies less in 'hard' trade negotiations provided there is a common position of EU Member States.

One major exception to this domestic-foreign imbalance was the WTO accession process. China's leaders used it as an instrument to push through a domestic reform agenda that entrenched the market economy and pushed back vested interests on the basis of the higher national interest to be admitted to the WTO. It is no coincidence that this period also saw one of the high phases of EU-China cooperation. It is also no coincidence that soon after the WTO accession the relationship changed – for China the WTO accession was an end point, and a hard-won domestic victory over vested interests at a price of many concessions to foreigners. For the EU China's WTO accession was only a beginning and China was soon asked to go beyond its WTO commitments, to not only implement the letter, but also the 'spirit' of the agreement. Besides the concrete trade interests the WTO membership was also seen as a means to an end – reforming China in a liberal way. No wonder trade and political irritants have increased since then. The Chinese focus in the 10 years of the Hu Jintao led politburo which took over right after the successful WTO accession clearly was not on international questions and concessions or further market reforms, but on spreading economic growth from the coastal areas to the vast hinterlands, solving the vexing rural questions and making the Chinese economy more competitive and more sustainable. Thus the EU-China meeting of minds on the global trade agenda was a brief, albeit crucial, moment in the relationship unlikely to be repeated.

Finally, imbalance of domestic interest: The EU has long been of high interest among Chinese policy makers, more so than for any other country in the Asia Pacific (Song 2010). The success of regional integration, stabilization and peace-making for the whole European continent that was traditionally characterized by enmity and warfare was seen as harbouring important lessons for peace and reconciliation in East Asia. Europe's neighbourhood policy also attracted interest for similar reasons, how to manage relations with many diverse neighbours. Europe's peaceful rise was seen as an inspiration on how China could manage its own rise peacefully. The EU has also been a major source of study and learning on domestic Chinese reform. EU-China cooperation programmes have actively contributed to fostering such exchanges. For domestic reform Europe's social and regional cohesion policies attracted considerable interest and the social-democratic parties in Northern Europe were studied as inspiration for 'ruling party reform' (Song 2010). They became a key plank for EU-China cooperation projects and have been the 'people to people exchanges' *avant la lettre*. On the EU side there has not been such interest to learn from – or for that matter about – China. Expertise on China is quite limited in EU institutions and the wider think tank community. The interest in people exchanges from the EU to China has thus been much weaker and has only recently gained traction.

Conclusion

In this paper I made two separate but related points for the analysis of the impact of the new leadership on EU-China relations. First, the Chinese leadership in general terms is likely to continue its domestic and foreign policy priorities along familiar, gradual and reactive paths. The change as such will therefore have little strategic consequence for the EU-China relationship while the focus may move on pragmatic immediate priorities and ‘low hanging fruit’.

The new institutional EU leadership, by contrast, may gradually lead to a more strategic and more pragmatic partnership with China as the institutional changes (creation of European Council President, HR/VP and EEAS) provide a stronger, more consistent political plank – witness the creation of the EU-China High Level strategic dialogue. Much will depend on the cohesion of EU Member States around its new institutional set-up.

My second point is that the relationship has been running within a certain number of constraints and structures of interaction which are not going to disappear overnight and will thus contribute to a rather steady, if unbalanced course.

Having said this, the relationship cannot keep running on auto-pilot. It needs political attention to bridge strategic and identity differences, manage expectations and identify common strategic ground. It also has to prepare for possible event-driven backlash in precisely the strategic and identity gaps that cannot be easily bridged or papered over. I gave some examples of such scenarios ranging from popular discontent over European investors, to a fall-out over Tibet or the rise of protectionism.

The three institutional planks of the EU-China relationship are in place to form the stage for the tango of the leaders, but the tune to dance to remains to be agreed.

References:

Official documents can be found for reference and be retrieved at the EEAS website: http://eeas.europa.eu/china/docs/index_en.htm and that of China’s Ministry of Foreign Affairs. <http://www.fmprc.gov.cn/eng/topics/ceupp/t27708.htm>

Casarini, N. (2012) The EU and China: Investing in a troubled partnership. In: Grevi, G. and Renard, Th. (eds) *Partners in Crisis: EU Strategic Partnerships and the Global Economic Downturn. ESPO Report 1* pp 23-32

Geeraerts, G. (2011) China, the EU, and the New Multipolarity. *European Review* 19 (1) pp. 57-67

Godement, F. (2012) *China at the Crossroads*. European Council on Foreign Relations.

Narramore, T. (2008) China and Europe: engagement, multipolarity and strategy. *The Pacific Review* 21 (1): 87-108.

Shambaugh, D. (2004) China and Europe: The Emerging Axis. *Current History* September 2004 pp. 243-248.

Song, X. (2010) European 'models' and their implications to China: internal and external perspectives. *Review of International Studies* 36 pp. 755-775.

Wissenbach, U. 2008 The EU, China and Africa: Global governance through functional multilateralism. *Studia Diplomatica* LXI 3, 69-89.

Wissenbach, U. (2007) The EU's effective multilateralism—but with whom? Functional multilateralism and the rise of China, *Friedrich-Ebert-Stiftung, International Politikanalyse*. <http://library.fes.de/pdf-files/id/04469.pdf>

Zimmermann, H. (2012) EU-China Trade Negotiations and China's Accession to the WTO in: Micael Gehler/ Xuewu Gu/ Andreas Schimmelpfennig (eds) *EU-China. Global Players in a Complex World* Hildesheim (Olms).